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Deputy Comptroller

12 October 1955

Chief, Technical Accounting Staff

Simplification of Reimbursement Procedure for Penalty Mail

REFERENCE: Letter from the Postmaster General, dated 21 September 1955, to Heads of Departments and Agencies of the Government

1. PROBLEMS

- a. To determine whether this Agency and the National Security Council should accept the Postmaster General's proposal for simplification of the reimbursement procedures for penalty mail.
- b. To determine whether this Agency should pursue the Postmaster General's proposal for a single reimbursement procedure for all official mailings including air mail, parcels over four pounds, etc.

2. FACTS BEARING ON THE PROBLEM

a. Problem A

- (1) The Postmaster General's letter of 21 September 1955 proposes that the 1956 and 1957 reimbursements to the Post Office for penalty mail used be based on 1955 payments adjusted to reflect any known program changes. It is contemplated by the proposal that adjustments for postage rate changes can be negotiated immediately, and that adjustments for substantial volume changes can be negotiated as soon as practical but within two years.
- (2) After an amount is agreed upon, the Post Office Department will submit a voucher on Form 1080, quarterly, to our Agency for reimbursement, in lieu of the present reimbursement procedure. The present procedure necessitates a daily count and quarterly report of penalty indicia placed in the Federal mails, segregated between mail of a size computed at a three cent rate and that of a size computed at a nine cent rate.
- (3) Under the proposed procedure, two other changes in reporting requirements are contemplated - (a) an annual procurement report would be substituted for the present quarterly reports,

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and (b) the report of annual inventory would be estimated to show inventory based on reports from main supply units in contrast to the present requirement for a detailed inventory requiring reports from all organizational elements of the Agency. In connection with the latter requirement, the Post Office Department has a proposal before Congress which has passed the House and been sent to the Senate without amendment which would eliminate the requirement for any inventory.

(4) The proposed procedure would allow this Agency to discontinue the following internal requirements and reports.

(a) The daily count and record and quarterly report on mail dispatched under the penalty privilege - this involves primarily the Mail and Courier Branch, Administrative Staff, Logistics Office. Also organizational elements making emergency weekend mailings will no longer be required to count and report such mailings.

(b) The record and annual report, for which each organizational element of the Agency is responsible, of the number of pieces of penalty indicia items destroyed, obliterated, or used other than for actual postage-free mailings.

(c) The annual inventory, including a count of all indicia matter in desks, and report thereon as of 30 June by each organizational element in the Agency. Pending the passage of a proposed law to completely eliminate the inventory requirement, it would still be necessary to take a warehouse inventory and possibly an inventory of the Building Supply Offices.

(5) Based on an analysis of mail dispatched under the penalty privilege as reflected in attached Exhibit A, slightly more than 90 per cent (in value) represents [redacted] mailings. This same exhibit also shows that the total value of all penalty indicia used by the Agency amounted to \$9,999, \$6,307, and \$6,975 during fiscal years 1955, 1954, and 1953, respectively. National Security Council mailings had a value of \$17 and \$13 during fiscal years 1955 and 1954 respectively.

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(6) The proposed simplification in procedure is to be made effective as of 1 July 1955, and a commitment as to the amount of reimbursement for fiscal year 1956 is desired by the Post Office Department by 15 October 1955.

b. Problem B

(1) The Postmaster General's letter of 21 September 1955 inquired as to the Agency's interest in a proposal to develop a single

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reimbursement procedure for all official mailings, including air mail, parcels over four pounds, etc.

- (2) This Agency's total expenditure for postage including penalty mail reimbursements for fiscal 1955 was approximately \$50,224. Of this amount approximately \$18,999 represented postage meter impressions, \$9,799, penalty mail, and the balance, \$21,226, postage stamps.
- (3) Stamps and postage meter impressions are used primarily on mail which is not overtly associated with the Central Intelligence Agency.

3. DISCUSSION

a. Problem A

- (1) Informal conversation was held with a representative of the Post Office Department on the question of the volume change which the Post Office Department would consider reasonable without requiring a change in the amount of reimbursement. The representative indicated generally that this would be left up to the Agency and that from the Post Office's point of view they would not be likely to raise any questions unless the procurement reports should indicate a substantial increase, such as an increase approaching 50 per cent. On the basis of actual usage he expressed the view that tolerances in the case of a volume such as ours of up to 20 or 25 per cent would be reasonable without requiring any change in the current year's reimbursement.

- (2) Since [] mailings account in value for over 90 per cent of the total penalty mail used it appears that the question of volume changes in the Agency's usage of penalty mail is largely dependent upon those mailings. Conversation with the Administrative Officer [] 25X1 [] of the Office of Operations indicates that their mailing program is expected to remain substantially at the present level. This program involves [] 2

value of penalty mail which will be used for [] mailings 25X1 during the current fiscal year will be about \$9,375. Thus it is reasonable to anticipate that the value of the current fiscal year's penalty indicia mailings for the entire Agency will exceed \$10,000 by a very moderate amount.

- (3) Savings to the Agency which would result from the adoption of the proposed simplification of procedure should amount to at

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least \$900 per year. These savings will arise primarily from the discontinuance of the internal requirements and reports as outlined in paragraph 2 a(4) of this report. The estimated cost of the daily count and record and quarterly report of penalty mail used (item 2 a(4)(a)) is estimated at approximately \$900 per year; savings from the discontinuance of other internal requirements and reports (items 2 a(4)(b) and (c)) have not been estimated but would probably be somewhat less than \$900. These internal savings would warrant the use of a \$10,000 reimbursement level to the Post Office Department even if the estimated actual usage of penalty mail were to drop as much as 10 per cent from the present level.

- (4) There are at least three alternative methods which can be used by the Agency in the future for estimating actual usage of penalty mail as a basis for determining administratively whether the reimbursement amount per fiscal year should be continued unchanged or whether arrangements should be made to negotiate with the Post Office Department for an adjustment of the reimbursement.
- (a) Estimate usage taking into account (1) beginning inventories in the warehouse as per the perpetual inventory records, (2) procurement during the period and (3) ending inventories in the warehouse. For this purpose disappearance for reasons other than usage such as obliteration, obsolescence, destruction, etc. would be estimated on the basis of past experience.
- (b)
- (c) Estimate usage on the basis of an actual count, for a representative period such as a month or a quarter, by the Mail and Courier Branch of mail dispatched under the penalty privilege.

Actually, as a practicable matter estimates could easily be made upon the basis of both alternatives (a) and (b). These estimates should be reasonably close to each other, and in the event of an unexplainable major difference, alternative (c) should be employed.

b. Problem B

In view of the fact that for cover reasons a fairly substantial portion of this Agency's total postage cost is represented by postage stamps, it does not appear feasible for this Agency to adopt a single reimbursement procedure for all official mailings.

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4. CONCLUSIONS

This Agency and the National Security Council should accept the proposal for the simplification of the reimbursement procedures for penalty mail and should reject the proposal for one reimbursement procedure for all official mailings, pending an opportunity to give the latter further consideration.

5. ACTIONS RECOMMENDED

- a. Inform the Bureau of Finance, Post Office Department that this Agency, and the National Security Council will reimburse the Post Office Department \$10,000 and \$15 respectively for penalty mail for the fiscal year 1956. Inform the Post Office Department also that this Agency does not desire to include other mailings in the single reimbursement procedure.
- b. Initiate revisions in Agency Regulation to reflect the adoption of the revised procedure. 25X1
- c. Investigate further the possibility of using a single reimbursement procedure for all Agency mailing where "security" is not a consideration.

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ATTACHMENT:
Exhibit A

TAS/HNL/bay (12 Oct. 55)
Distribution:

Orig. & 1 Addressee
1 - TAS Subject File
1 - Admin. Office, Logistics Office
1 - Chrono
1 - Reading File

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EXHIBIT A

SELECTED DATA CONCERNING EXPENSE
OF AGENCY PENALTY MAIL

Quarters 7/1/54 thro 9/30/55

Period	Total CIA		
7/1/54 to 9/30/54	\$ 2,356.	\$ 2,146.	91.1
10/1/54 to 12/31/54	2,472.	2,259.	91.4
1/1/55 to 3/31/55	2,511.	2,253.	89.7
4/1/55 to 6/30/55	2,660.	2,417. a/	90.9
TOTALS	\$ 9,999.	\$ 9,075.	90.8
7/1/55 to 9/30/55	\$ 2,550.	\$ 2,349.	92.1

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a/ Estimated

COMPARATIVE VALUE OF
PENALTY MAIL USED

Fiscal Years 1955, 1954 and 1953

Central Intelligence Agency
National Security Council
1955
\$ 9,999.
17.

1954
\$ 6,307. a/
13. e/

1953
\$ 6,975. b/
e/

- a/ Includes mail for the period for 7/1/53 to 8/15/58 for which no reimbursement was made.
- b/ No reimbursement made.
- c/ Not available.

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